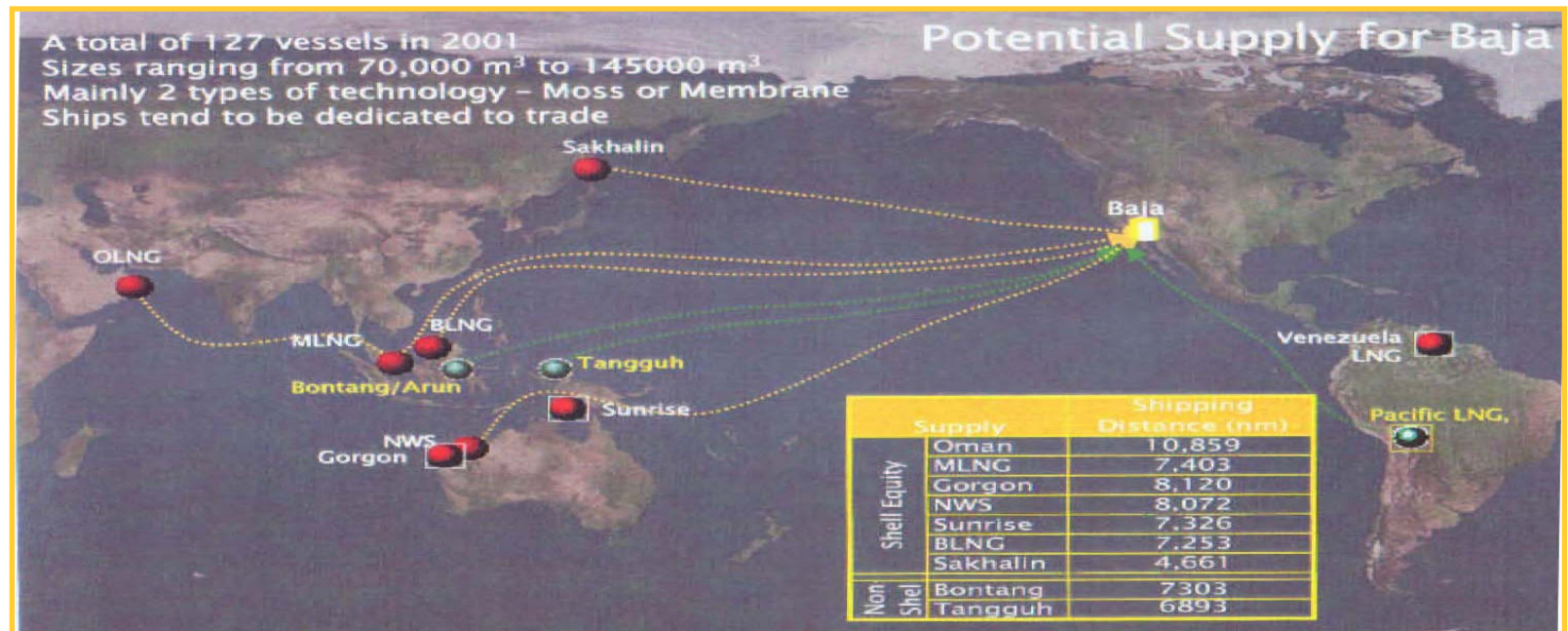


California and Baja California Gas Infrastructure

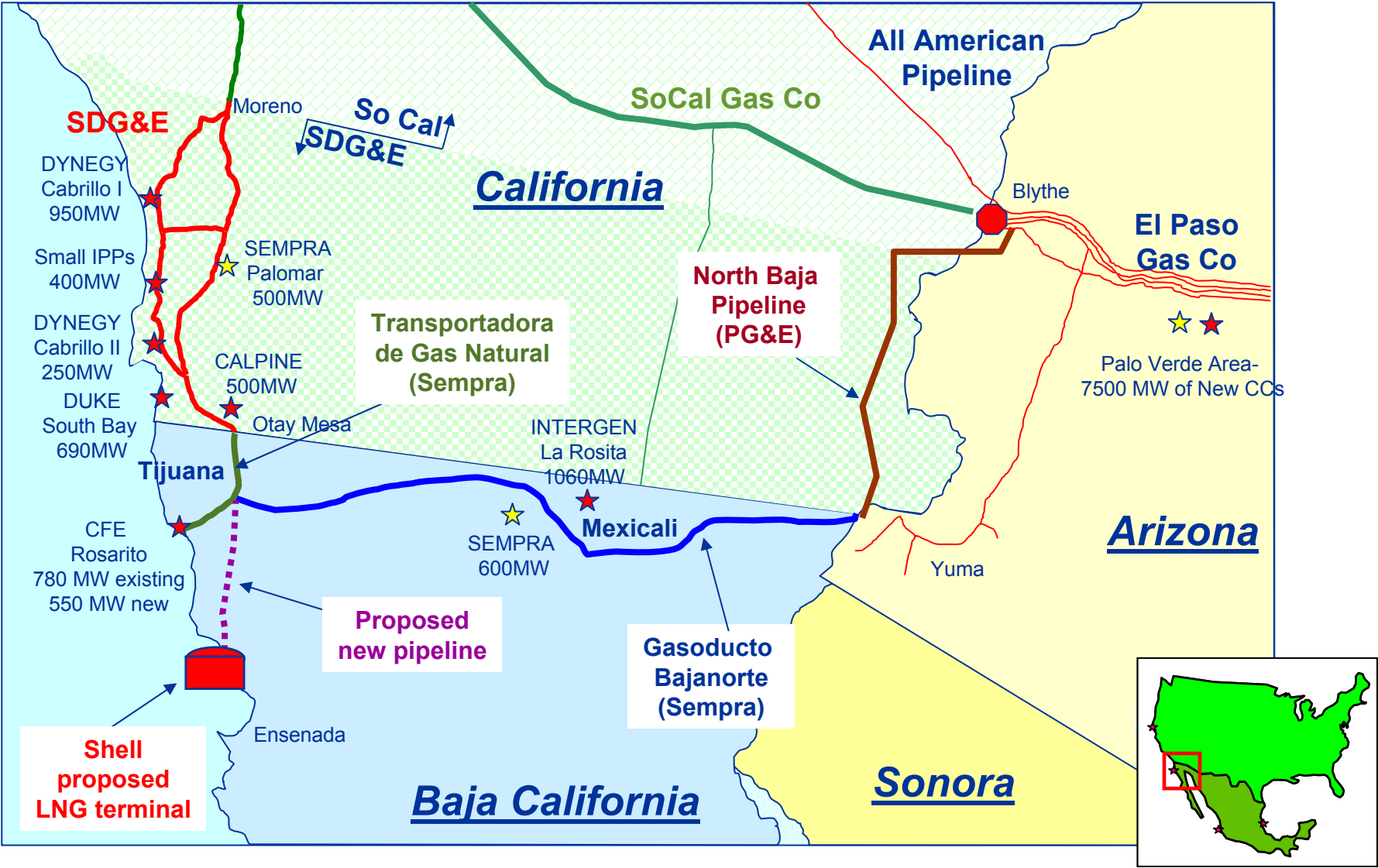
Presentation to CPUC/CEC Workshop
December 10, 2003



- North America- Gas & Power Marketing and Trading
- Marketer of Shell Equity Production
- 9 Bcf/day average daily marketing & trading volume
- Credit Ratings: S&P A-; Moody's A-1
- West Region- HQ in San Diego California
- Scope- WECC and Mexico
- 1.4 Bcf/d (1500 transactions/month)
- 6500 MWs/hr (6000 transactions/month)



Terminal location & Gas infrastructure



★ Power plant existing or under construction

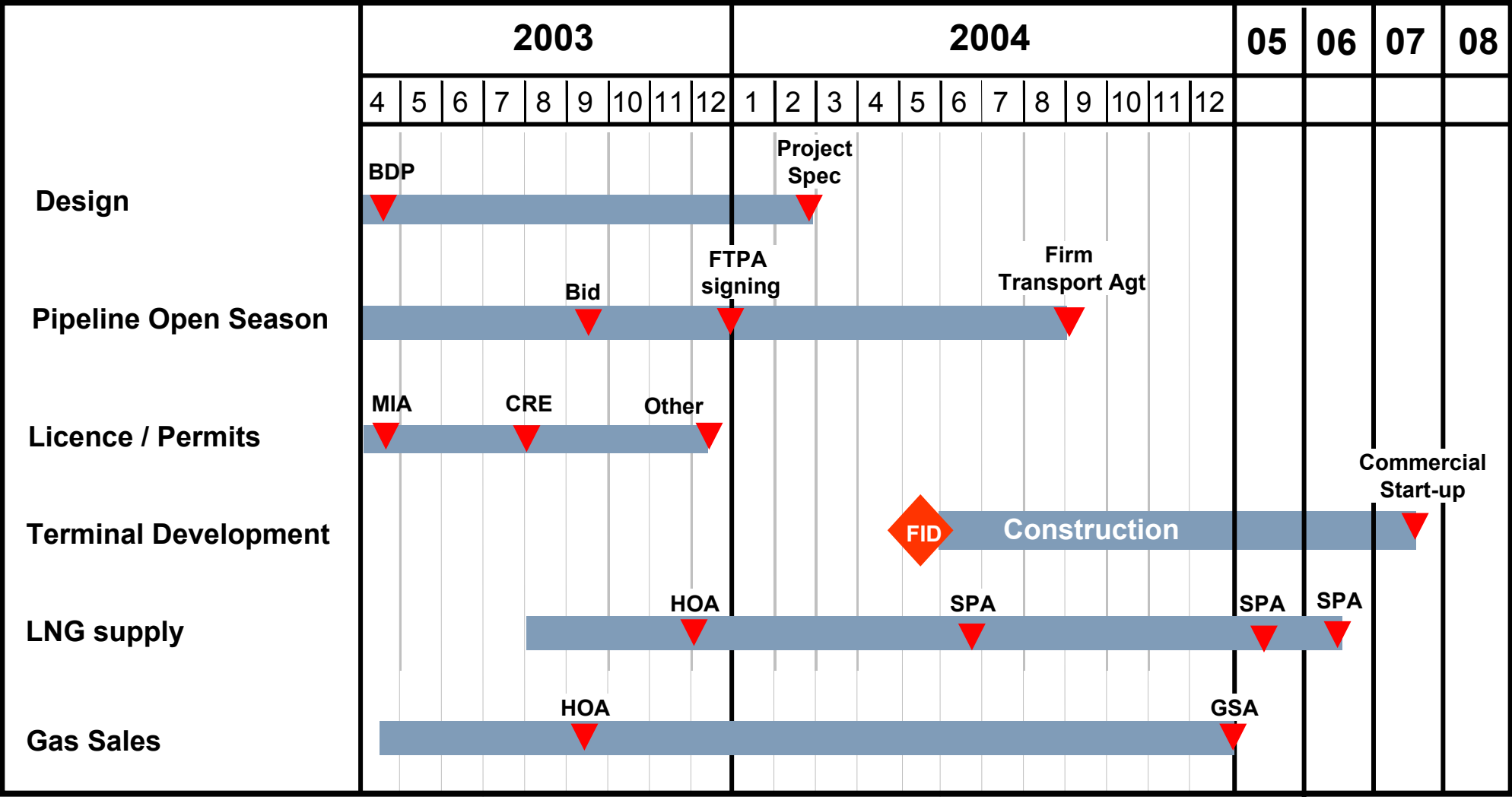


Shell Gas & Power

- 7.5 MTPA LNG
- 1300 MMScf/d Gas peak
- Start-up 2007
- 350,000 m³ LNG storage
- US\$500-700 million Capex
- Expansion capability (15 MTPA)
- 23km north of Ensenada
- 60km south of Tijuana/border
- Power & Industrial customers in Baja
- Export to Southern California
- Multiple LNG supply options



Expected timeline of the Baja project



1. Need to know the cost and terms of access to the SDG&E, SoCal Gas systems
 - Expansion of SDG&E transmission system to accommodate delivery of LNG supplies
 - Clear interconnection process that will result in:
 - ✓ Receipt point at Otay Mesa
 - ✓ Terms under which expansion will be undertaken
 - ✓ Reliable access to the Southern California market
 - ✓ Cost and terms of access



- Approvals for new and expanded facilities
- Address the relationship between SoCal Gas and SDG&E systems:
 - ✓ Is Otay Mesa a receipt point on SDG&E or SoCal Gas system?
 - ✓ Is delivery of gas into SDG&E system a “bypass” of SoCal Gas system?
 - ✓ Does the SoCal Gas “peaking” rate apply?



2. Timing is critical

- Ongoing open season process on BNP, TGN and GBN pipelines
 - ✓ Firm commitments by September 1, 2004
- Financial commitments must be made by LNG sponsors in 2004 to meet construction goals
- Expiration of El Paso and Transwestern pipeline contracts
 - ✓ LNG can be an alternative to long-term pipeline commitments
 - ✓ LNG must be a tangible, feasible alternative at the time SoCal Gas makes its decisions on interstate pipeline contract renewal



- Gas price competition (and competition between supply areas)
- Enhanced gas supply reliability (for SDG&E customers, especially)
- Long-term supply assurance
- Increased core gas supply options
- Reduced reliance on interstate pipelines
- Benefits of new LNG supplies justify “rolled-in” cost allocation for new and expanded transmission facilities



Q: Willingness of marketers/suppliers/customers to enter into long-term contracts for the purchase of LNG supplies?

A: Marketers:

Coral is willing because of its strong, long-term relationships with customers in the California gas market

Suppliers:

Suppliers will make huge commitments in shipping and terminal infrastructure

Customers:

Customers are interested in reliability of supply, supply flexibility, supply alternatives and price stability



Q: Is LNG supply a good fit for electric generation?

A: Yes! For the same reasons LNG is a good fit for any other customer

Q: Are long-term firm LNG supply contracts an appropriate alternative to long-term firm interstate pipeline capacity contracts?

A: Absolutely! Regasified LNG is gas at California's doorstep – delivered through pipelines dedicated to the State; LNG is a bundled package of reliable supply and firm transportation

